

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 472 - HB 664**

March 30, 2009

**SUMMARY OF BILL:** Authorizes the formation of a new category of a limited liability company (LLC) known as a low-profit limited liability company. Such company must further the accomplishment of one or more charitable or educational purposes within the meaning of Section 170(c)(2)(B) of the Internal Revenue Service Code of 1986, 26 U.S.C. § 170(c)(2)(B). Such company must contain the abbreviation L3C as part of the name.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – Not Significant**

Assumptions:

- According to the Department of Revenue, there is no explicit language in the bill to exclude these L3Cs from franchise and excise (F&E) tax laws.
- L3Cs would be taxable unless they qualified as a specific nonprofit under certain Internal Revenue Code provisions such as a 501(c)(3) or if they were wholly owned by a nonprofit corporation or governmental entity.
- If these types of entities would now be subject to F&E tax laws that were previously classified as nonprofit and not subject to F&E taxes, there would be an increase in state revenue of an unknown amount.
- There is currently no data available on the number of entities that could be impacted; however, such increase in state revenue is estimated to be not significant.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White".

James W. White, Executive Director

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